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STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LANSING

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Analysis of Enrolled House Bills 5955 to 5958

Bill Numbers: House Bills 5955 to 5958
Topic: Internet drop-off store
Sponsor: Representative David Hildenbrand-HB 5955
Representative Ed Clemente – HB 5956
Representative David Palsrok – HB 5957
Representative Michael Nofs – HB 5958
Co-Sponsors:
HB 5955 Representatives Palsrok, Nofs, and Clemente
HB 5956 Representatives Hildenbrand, Palsrok, and Nofs
HB 5957 Representatives Hildenbrand, Nofs, Clemente, Plakas, Kolb , Lipsey, Koiiman, Farrah, Accavitti, Hune, Shaffer, Ward, VanRegenmorter, Sak, Huizenga, Dillon, Espinosa, Gonzales, Mayes, McDowell, Mortimer, Pearce, Polidori, Joel Sheltroun
HB 5958 Dave Hildenbrand, David Palsrok, Ed Clemente
House Committee Energy and Technology
Senate Committee: Commerce and Labor
Date Introduced: April 19, 2006
Date Enrolled: June 29, 2006
Date of Analysis: June 28, 2006

Position: The Department of Labor & Economic Growth supports the bills.

Problem/Background:

The phenomenal success of eBay and the concept of Internet auctions have resulted in the creation of eBay drop off stores that accept merchandise from consumers for auction. The “store” does the electronic work related to listing and describing the item, accepts payment, ships the merchandise to the successful bidder, and pays the original owner. For their services, the drop-off centers charge a commission ranging from 20-30% of the ultimate sale price. The concept has enough economic promise that the large retailer Circuit City has begun a program to test selling items for consumers on eBay on a consignment basis in the Pittsburgh area. The retailer charges a 35% commission and consignors can either receive a payment by check or donate the proceeds to the Boys and Girls Clubs of America. Alternatively, a consignor can receive payment by gift card, in which case they receive 110% of the total due.

Recently, local police have reportedly tried to enforce statutory requirements relating to pawnshops against a drop off store in at least one Michigan community. Because the transactions are completed electronically, eBay believes that they have sufficient records to aid

police in tracking stolen goods without additional regulation.

Description of Bill:

The bills would exempt “Internet Drop-off Stores” from regulation under two pawnbroker laws, the second hand dealers and junk dealers law, and the Precious Metal and Gem Dealer Act, and a person engaged in the sale, purchase, consignment, or trade of personal property or other valuable thing for himself or herself. The bills are tie-barred.

“Internet Drop-off Store” is defined as a person, corporation, or firm that contracts with others to offer items for sale, purchase, consignment, or trade through an Internet website. To be exempt under these acts, the trading assistant would be required to have a fixed place of business, but all purchases or sales must be made via the Internet, not physically transacted on the premises. They must have the personal property available on a website for viewing at no charge, maintain records for at least 2 years, provide access to local law enforcement, provide that payment for the items be executed by check or electronic payment system (but not in cash), and immediately remove items from the website and notify local law enforcement upon learning the item is stolen.

- House Bill 5955 amends Public Act 273 of 1917, which regulates pawnbrokers
- House Bill 5956 amends Public Act 231 of 1945, which prescribes additional regulations and requirements for pawnbrokers, second hand dealers, and junk dealers.
- House Bill 5957 amends Public Act 350 of 1917, which regulates and provides for the licensure of second hand dealers and junk dealers; and was specifically amended to exclude scrap processors and automotive recyclers from the definition of second hand dealer or junk dealer.
- House Bill 5958 amends the Precious Metal and Gem Dealer Act.

The bills are tie-barred.

Arguments For:

- Internet drop-off centers should be exempt from regulation because, as new technology emerges, recordkeeping is easier to maintain, and requires less regulation to meet the needs of the public. Public places on the Internet, such as e-Bay, make it easier for persons to search for their stolen property and recover it, as opposed to places such as pawn shops, which can sell stolen property quickly and secretly.

Arguments Against:

- If certain businesses are required to be regulated in the public interest, it should not matter whether new technology is involved. The businesses should be regulated similarly.

Supporters:

eBay
Michigan Sheriff's Association

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Opponents:

None known.

Fiscal/Economic Impact:

a) Department: None.

b) Other State Department: None.

c) Local: None.

Administrative Rules Impact:

None.
